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SIPDIS

STATE FOR EEB; EAP/MLS AND DAS MARCIEL; USDOE FOR
INTERNATIONAL AFFAIRS

E.O. 12958: DECL: 09/04/2018
TAGS: [ECON](#) [EPET](#) [PBTS](#) [PREL](#) [VM](#)
SUBJECT: NORWEIGAN-FLAGGED VESSEL SPOTTED NEAR DISPUTED
BLOCK 5-2 IN SOUTH CHINA SEA

REF: (A) HANOI 1401: "GVN REQUESTS ACTION TO STOP
U.S. COMPANY FROM DRILLING" (B) HANOI 0579:
"BP AND CONOCOPHILLIPS TRANSFER
OPERATORSHIP" (C) HANOI 1119:
"CONOCOPHILLIPS AND BP CONCERNED ABOUT
PROJECTS"

Classified By: DCM VIRGINIA PALMER FOR REASONS 1.4 (B) AND (D)

11. (C) The Australian military has informed U.S. PACOM of the presence of a Norwegian-flagged 3D/4D seismic survey vessel, the GEO ATLANTIC, in the vicinity of disputed South China Sea Block 5-2, offshore Vietnam. According to the Australian military, the GEO ATLANTIC belongs to Fugro GeoServices, a Houston-based subsidiary of Fugro World Wide, headquartered in the Netherlands. Block 5-2, a joint concession with BP, ConocoPhillips (CoP), and PetroVietnam, lies in disputed waters claimed by China. In June 2007, China warned BP to cease work in Blocks 5-2 and 5-3 or face "economic consequences" (REF A). With the Olympics at an end, Embassy contacts fear that China could be more likely to react to activity in the block.

12. (C) In May 2008, BP transferred operatorship of Block 5-2 to PetroVietnam to avoid further delays in the work program (REF B). The change in operatorship is effective for the 2008 work program only; BP and CP retain operatorship for the 2009 work program and beyond. According to a CoP executive, BP and CoP face contractual deadlines -- 2008 in Block 5.2 and 2010 in Block 5-3 -- in which to conclude "significant seismic activity" (REF C). BP has not informed China about the change in operatorship or the exploration work and it is unclear if China is aware that PetroVietnam's contractor is working in the parcel.

13. (C) In July 2007, Vietnamese Vice Foreign Minister Vu Dung met with his Chinese counterpart Wu Dawei in Beijing, where Vietnam and China signed a secret written agreement rejecting the use of force to settle territorial disputes in the South China Sea.

14. (U) Post will report further information if it becomes available.
MICHALAK